



Suter-Wallauch-Corbett & Associates

Government Relations

February 9, 2009
Agenda Item 6.1

January 29, 2009

TO: Dennis Fay, Executive Director
Alameda County Congestion Management Agency

FR: Suter, Wallauch, Corbett & Associates

RE: Legislative Update

Budget: February 1st marks the edge of the cliff that the Legislature is creeping towards. From what we can discern, the Big Five leadership group is very close to reaching a deal on an 18-month budget. Outsiders, including rank and file Legislators haven't seen any details as yet, but we can assume many of the horror scenarios of cuts, deferrals and diversions will emerge in one form or another. One bright spot is a late effort to include in the package a Constitutional amendment to lower the vote threshold for local sales tax measures from 2/3 to a majority.

The Republican Caucus has finally conceded that tax increases are inevitable to address the \$40 billion deficit. Both sides do not want to pass a short term fix, only to return to the table the next day to fight over the 2009-10 budget. If an agreement is reached next week it will cover this year and next year and will contain over \$14 billion in additional cuts.

For public transit funding, the fight is over preserving the State Transit Assistance program. Both the Governor and the Democrats have agreed to cut funding in the current year to \$150 million, but the Governor continues to push for the elimination of STA in the 2009-10 fiscal year and beyond. So far there has been no support for repealing STA within the Democrat Caucus. Even if the proposal does not repeal STA, the threat remains for the Governor to zero out funding for the 2009-10 fiscal year.

The Republican Caucus is willing to put up votes on taxes but the package must contain ongoing cuts, a "hard" spending cap, and economic stimulus provisions. This means they will push for eliminating transit assistance funds. The spending cap, which must be placed on the ballot, is aimed at making it difficult for programs to grow faster than inflation and population growth. This could have a significant impact on local programs because state funding cuts already provide far less revenue than what is needed to meet the demand for services. The economic stimulus includes relaxing labor and environmental protection regulations and providing targeted tax cuts. On a macro level, agreement has already been reached on many of these items, but the details are the obstacle.

AB 32 Fees: The California Air Resources Board staff held the first workshop on imposing fees to fund the administration of AB 32. The first meeting was fairly short and provided a very broad outline of the proposed regulation. Next month's meeting will provide much detail on how much revenue the fee will generate and how it would be spent. CARB's proposal would impose a fee on all gasoline, diesel, coal, and natural gas produced or delivered in California, as well as a fee on the emissions from refineries and cement manufacturers. The fee would be collected from refiners, natural gas utilities, facilities that burn coal, cement manufacturers and gasoline and diesel importers. It is CARB's intent that this revenue would be used only for administration of AB 32 programs and the funds would not be used for local programs.

Regional Targets: SB 375 created the Regional Targets Advisory Committee (RTAC), which is charged with developing recommendations to the Air Resources Board for the greenhouse gas reduction targets for each region. The Committee is comprised of local and regional government officials, business and environmental representatives. The Bay Area representatives include MTC Executive Director, Steve Heminger, the Bay Area Council President Jim Wunderman, and the Executive Director of TransForm, Stuart Cohen.

The first meeting of RTAC is scheduled for February 3 in Sacramento. Additional information about the RTAC hearings can be found at <http://www.arb.ca.gov/cc/rtac/rtac.htm>.

Info Hearings: Both the Assembly Transportation Committee and Senate Transportation & Housing are scheduling informational hearing in February. Assembly Transportation has scheduled a hearing next week to review the funding issues facing transportation. This hearing is primarily aimed at educating new members about the transportation and transit funding process and the impact the economy is having on project delivery.

Senate Transportation & Housing will hold a hearing to examine how parking policies in state law and at the local level affect congestion and contribute to greenhouse gas emissions. The Committee will review that would prohibit the state and colleges from subsidizing parking and require local governments to revise parking policies to include such elements as unbundling the cost of parking from new housing developments, eliminating minimum parking space requirements, or setting parking meters at market rates.

Deferred Payments: Budget negotiations include a proposal to defer payments to cities and counties. Similar to last year's proposal, the state would defer local street and road payments for 7 months, from February to September, but this proposal also includes deferring the Prop 42 payment to cities and counties. Medi-Cal and certain Human Services payments would also be delayed. The deferral proposal would affect the following payments:

- ***Medi-Cal:*** There will be a one month delay in the monthly check-write for Medi-Cal "providers or their designated agents."
- ***Human Services:*** The proposal would defer the monthly advances to counties for benefits, grants, administration, and for employment and supportive services from the months of February through August. Regular payments would resume on September 1, 2009. Deferrals would be paid by September 30, 2009. SSI/SSP payments and the In Home Supportive Services program would not be affected by the deferrals.
- ***Proposition 42 local street and road funds:*** The payment of the June 2009 allocation to cities and counties would be deferred until October 2009. The proposal does not consider the deferral a suspension so no interest is accrued to this delayed payment.
- ***Highway User Tax Account (HUTA) payments:*** The proposal would defer all HUTA payments to cities and counties for seven months. The HUTA revenue collected during the months of January, February, March and the first half of April would be made in September 2009, and the HUTA revenue collected during the second half of April, and May, June, July would be made in October 2009.
- ***Proposition 1B:*** This proposal also includes provisions that allow cities and counties to use Prop 1B local street and road funds for cash flow purposes during the deferral period. While the Pooled Money Investment Board (PMIB) has frozen access to all bond funds, it is assumed once a budget agreement is enacted the PMIB will resume issuing loans for bond funded projects.

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